Port earnings can thus be much better and more easily assessed from the disbursement than from the income side. Consequently all shipping agencies were requested to provide information on the calling expenses which the lines they represented had incurred in the Beirut harbour. The response was satisfactory; only a few did not answer, but their relative importance could be easily ascertained from a comparison between the returns of the agencies that responded and the detailed statistics on the movement of ships published by the Beirut Port Co. On the basis of these returns, total ship expenditures have been estimated at LL. 5.0 million in 1951 and LL. 5.9 million in 1952 (cf. Table 25).

These figures do not include the expenditures of the various visiting foreign navies which buy independently through a private concern (The Baltagi Brothers). No estimate of these expenditures could be obtained from this concern; it is believed, however, that the amount involved is not more than LL. 1 million annually.

For airplanes, the respective agents have been requested to provide the same information as shipping agencies. However, most of them declined to cooperate. Of the few answers received no reliable estimate could be made especially since the Directorate of Civil Aviation unlike the Port Company, does not have detailed statistics on the movement of airlines. Under the circumstances, there was no alternative but to accept the estimates of informed people who claimed that earnings from airplane expenditures (including refuelling) were about LL. 3 million in 1951 and LL. 5 million in 1952; these figures are net of similar expenditures abroad of the two Lebanese airlines.

Total earnings from transportation was, therefore, LL. 15.3 million in 1951 and LL. 20.2 million in 1952, against expenditures of LL. 9.2 million and LL. 8.50 million.

II. Insurance

Insurance transactions may be divided into three categories: (1) Insurance on account of international trade, (2) life assurance, and (3) other kinds of insurance, including re-insurance.

(1) Insurance on account of international trade.

As has been indicated in the section on merchandise trade

+457 (pp. 11-12) imports into Lebanon are valued CIF, and therefore, no new additional entry should here be made for import insurance. However, a small adjustment should be made to account for the proportion of imports insured with local firms. Normally, such an adjustment should have taken the form of a deduction from the CIF value of imports, since an import insurance with a local firm represents a payment from one resident to another. However, it has been thought more meaningful to show it separately as a credit under insurance. As no information is available regarding such insurance in 1951 and 1952 it has been assumed to have been the same as in 1953 when it amounted to LL. 0.2 million.

[439] On the export side, only 40 % of the goods shipped abroad are insured with local firms. On the assumption that the insurance premia on commercial exports are normally calculated at 0.6 % of the value of the goods, receipts from export insurance was LL. 0,22 million in 1951 and LL. 0.19 million in 1952.

(2) **Life assurance**: Life assurance in Lebanon is carried by, or on behalf of, foreign companies. Net movement of life assurance funds are, therefore, difficult to ascertain; however, as they are relatively small, they can be disregarded without serious damage to the final results.

(3) **Other insurance transactions**: Other kinds of insurance in Lebanon are mainly in connection with motor and fire insurance. These risks are usually reinsured with foreign firms, so that in effect insurance companies in Lebanon act in these respects as insurance brokers. It is estimated that the total amount of re-insurance less commission earned by the local firms amounted to LL. 0.57 million in 1953. As no figures are available for earlier years, earnings in these years are estimated to have been the same as in 1953.

Total earnings from insurance (including the LL. 0.2 million on import insurance) was therefore LL. 0.99 million in 1951 and LL. 0.96 million in 1952.

000
316 brought some capital with them and started new enterprises. Another important
382 factor was the impact on Lebanon of the development of Middle Eastern petroleum
434 resources, an impact which exceeded that exerted on any other non-producing
country in the region. Three pipelines have their termini in Lebanon: two
Kirkuk-Tripoli lines, completed in 1934 and 1949, and the line connecting the
457 Arabian oilfields with Sidon, completed in 1950. A refinery was built in
439 Tripoli and another near Sidon. Lebanon has also benefited from the location
651 of offices of oil companies in Beirut. In addition, it has received many
434 tourists, as well as some capital, from the oil producing countries and has
supplied exports to these countries: for example, fresh fruit and vegetables
sent by air or truck or, more recently, by refrigerated ships. Finally,
royalties paid to the Government by the oil companies for pipeline use have
increased in recent years.

434 The development of transit trade has also contributed to the national
653 income. The increase in such trade was made possible by enlargement and
improvement of the port of Beirut shortly before the Second World War, development
of inland communications, provision of refrigerated storage and other storage
facilties and extension of the free zone in the harbour from 8,000 square metres
in 1939 to 75,000 in 1952 and 106,000 in 1953. Although the development of
Latakia has diverted some of Syria's trade, Beirut still handles a substantial
proportion of that trade as well as a large fraction of that of Jordan, which
previously passed through Haifa. The opening of a new airport in Beirut, in
1950, has also stimulated transit of goods and passengers.

457 In recent years, Beirut has been the centre of a large and widespread gold
trade. The relaxation and subsequent disappearance of exchange controls has
also greatly increased the importance of Lebanon as an international financial
centre. Tourism has increased in scope and continues to play a significant
part in the country's economy.

Agriculture

241 Despite large-scale emigration to the cities and abroad, nearly half the
162 Lebanese population still earn a livelihood in agriculture. Since agriculture
312 accounts for less than one fifth of the national income (see table 43), per capita
311 income in agriculture is well below the average in other sectors. The
possibilities for raising agricultural income by extending cultivation are,
however, very limited. According to the latest estimates, of the total area
of 1,038,000 hectares, 575,000 hectares consist of rocky, waste or built-up
areas; 74,000 consist of forests; 115,000 are judged to be cultivable, though
at present uncultivated; and 273,000 are under cultivation. Of the cultivated
area, 48,000 hectares are irrigated and 225,000 are rainfed, but irrigation
projects under way or due to be undertaken in the near future will bring
34,000 hectares of rainfed land under irrigation. 1/ The reclamation of the
115,000 hectares judged to be cultivable would involve heavy capital outlay,
since most of this land is mountainous. Hence, in recent years, efforts have
been mainly concentrated on intensifying agriculture.

1/ Figures from an unpublished paper prepared in the Ministry of Agriculture in 1950. Cultivated land per capita of agricultural population is thus only about 0.4 hectare, of which less than a fifth is irrigated.

and bottling machinery were reduced. 1/ At present, most imports competing with local manufactures are subject to an effective duty of 25 to 30 per cent, and grains, industrial machinery and most raw materials enter duty free. 2/ The Government has also attempted to open new markets for Lebanese goods through bilateral commercial treaties or through inter-Arab States agreements.

The Government has, moreover, sought to promote industrial investment by exempting from income tax new establishments with a capital of over LL 1 million (see below). The newly founded Agricultural and Industrial Bank will help to provide industrial credit, the scarcity and high cost of which constitute a major obstacle to development. Another step taken by the Government, with United States aid, has been the establishment in 1953 of an Industrial Institute. The object of this institute is to undertake production and marketing studies for projected enterprises, to carry out laboratory tests and to assist existing enterprises in matters of modernization and optimum utilization of equipment and use of raw materials and by-products. A pilot plant is being set up. The institute will be administered by representatives of Government, industry and the Foreign Operations Administration of the United States.

The Government has also taken steps to increase the production of electricity and to reduce its cost. Following a consumers' strike and the refusal of the principal concessionary company to expand its plant, the Government, in 1952, reduced charges by 22 per cent, temporarily took over administration of the company and accelerated the construction of generators. In 1954, it bought out the company for LL 23.5 million, a price agreed upon by both parties. The completion in 1954 of a hydroelectric plant at Nahr el Bared, with a capacity of 9,000 to 18,000 kilowatts, has temporarily met the country's needs; long-term plans are discussed below.

Foreign trade and balance of payments

The development of agriculture and industry, described in the previous sections, has not basically altered Lebanon's character as a provider of services, a fact which accounts for both its high level of trade and its large import surplus. Table 46 shows that, since the ending of the customs union with Syria in March 1950, both imports and the import surplus have tended to increase. Lebanon's imports are among the most diversified in the region. Exports are also diversified, including fruits, vegetables, vegetable oil and textiles, cement and other manufactured goods; in contrast to other Middle Eastern countries, which are highly dependent on two or three products, no single item accounted for more than 5 per cent of Lebanese exports in 1952 or 1953. The chief market for Lebanese exports in 1953 was Syria, followed by Saudi Arabia, France, Egypt and the United States; the chief supplier was also Syria, followed by the United States, United Kingdom, France and the Netherlands.

In recent years Lebanon has sought to promote its exports by means of bilateral commercial agreements. Since March 1950, trade with Syria has been

---

1/ United States Department of Commerce, Foreign Commerce Weekly, 22 November 1954 and 31 January 1955 (Washington, D.C.).

2/ Raja Himadeh, The Fiscal System of Lebanon (unpublished thesis presented to the American University, Beirut, 1953).

Table 46. Lebanon: Foreign Trade and Transit Trade, 1950 to 1954
(Millions of Lebanese pounds)

439
457

Item	1950 a/	1951	1952	1953	1954 b/
Foreign trade:					
Special imports	183.6	298.4	308.5	314.3	262.3
Special exports	51.9	89.7	77.4	87.5	57.5
Re-exports (drawbacks)	1.9	1.6	3.9	3.0	1.8
Total	53.8	91.3	81.3	90.5	59.3
Import surplus	129.8	207.1	227.2	223.8	203.0
Transit trade:					
Re-exports (ex-bond)	1.5	6.6	15.6	9.2	8.0
Merchandise transit	222.2	323.1	327.6	304.8	259.9
Petroleum	111.1	459.1	471.2	472.8	349.3
Total	334.8	788.8	814.4	786.8	617.2
Trade in gold:					
Special trade:					
Imports	61.2	22.4	38.6	47.4	52.4
Exports	15.2	8.0	-	0.2	9.1
Transit trade	177.3	354.6	239.9	285.3	147.3

Source: Ministry of National Economy, Bulletin statistique trimestriel.

a/ 14 March to 31 December.

b/ Nine months.

carried on under a series of temporary agreements, pending a lasting settlement. Under an agreement signed in 1951, Iraq abolished duties on most Lebanese fruits and Lebanon granted facilities to Iraqi merchants using the free zone in Beirut. In the same year a trade and payments agreement was signed with Egypt. In 1952 Jordan admitted Lebanese agricultural products free of duty, and both countries reduced duties on industrial goods exported to one another; transit formalities through Lebanon were also simplified. In the same year Lebanon and Czechoslovakia undertook to buy a minimum of LL 5 million worth of goods each year from one another. In 1954 an agreement with eastern Germany provided for the purchase of $1 million worth of goods by each country and another agreement with the Union of Soviet Socialist Republics provided for the purchase of LL 10 million of goods by each country. Other agreements were concluded with western Germany and

457
439

Table 47. Lebanon: Principal Items in Balance of Payments, 1951 and 1952

(Millions of Lebanese pounds)

Item	1951			1952		
	Credit	Debit	Balance	Credit	Debit	Balance
Goods and services:						
Merchandise trade[a/]	124.9	436.4	-311.5	122.1	454.2	-332.1
Non-monetary gold	15.2	14.3	0.9	25.0	36.5	- 11.5
Foreign travel	35.0	14.7	20.3	47.6	23.1	24.5
Transport and insurance	16.3	9.2	7.1	21.2	8.5	12.7
Investment income	15.6	11.8	3.8	16.2	9.2	7.0
Government transactions	79.5	9.8	69.7	72.2	6.6	65.6
Transit	113.1	-	113.1	95.4	-	95.4
Total	435.3	496.2	- 60.9	435.7	538.1	-102.4
Private donations and capital movements:						
Emigrants' remittances and transfers	58.4	4.0	54.4	71.7	2.7	69.0
Government transactions	0.5	-	0.5	2.5	-	2.5
Charitable and cultural institutions	10.2	-	10.2	13.5	-	13.5
Capital movements	...	...	14.7	...	...	43.7
Total	...	...	79.8	...	...	128.7
Surplus	...	...	18.9	...	...	26.3
Compensatory financing:						
Monetary gold (increase -)	...	...	- 23.9	...	...	- 15.4
Short-term assets (increase -)	...	...	5.0	...	...	- 10.9
Total			- 18.9			- 26.3

Source: Edward Fei and Paul J. Klat, The Balance of Payments of Lebanon, 1951 and 1952 (Beirut, 1954).

a/ Adjusted for exchange rates, etc.

457
439

Table 48. Lebanon: Traffic through Port of Beirut and International Airport, 1939 and 1945 to 1954

(Thousands of metric tons)

Year	Port				Airport			
	Number of ships entering	Net registered tonnage	Goods loaded	Goods unloaded	Number of planes arriving	Number of passengers: Ordinary	Number of passengers: In transit	Freight
1939	2,128	2,632	110	522	-	-	-	-
1945	765	325	37	128	-	-	-	-
1946	1,160	1,030	87	300	-	-	-	-
1947	1,470	1,637	63	457	-	-	-	-
1948	1,744	1,902	119	773	-	-	-	-
1949	1,801	2,328	143	806	-	-	-	-
1950	2,109	2,561	219	833	-	-	-	-
1951	2,038	2,921	225	911	3,211	30,220	28,100	...
1952	2,044	3,105	242	879	10,340	80,886	66,724	1.4
1953	2,220	3,569	305	949	11,268	92,184	70,975	1.5
1954	2,342	3,921	376	1,129	13,358	125,118	105,156	1.6

Source: Ministry of National Economy, Bulletin statistique trimestriel.

Yugoslavia. Lebanon ratified the Inter-Arab trade and payments agreement in 1953. 1/

457

The deficit in the balance of trade has been largely covered by the following items: income arising from the transit trade and from financial services; expenditure by tourists; government receipts from the petroleum companies and other sources; and donations (see table 47).

Table 48 shows the rapid increase in activity at the port and airport of Beirut, while table 46 shows the value of merchandise, gold and petroleum passing through Lebanon in transit. It has been estimated that, in 1952, some 50,000 passengers and 400,000 tons of goods, other than petroleum, passed in transit, mainly to or from Syria, Jordan and Iraq, and, to a lesser extent, Iran. 2/ The Government has sought to promote transit trade by extending the free zone in the

1/ See the Introduction to this report.

2/ Baron Maxime de Dumast, "Le transit, vocation du Liban", Les Conferences du Cénacle (Beirut, 1953).

port of Beirut in 1951, abolishing port dues on goods in transit in 1954, improving communications and concluding agreements with neighbouring countries, but administrative formalities at the various frontiers still constitute a serious handicap. The opening of International Airport in 1950 also greatly increased passenger transit traffic. Lebanon's income from merchandise transit trade (excluding petroleum and also taxes, port dues and transport charges) was estimated at LL 36.9 million in 1951 and LL 46.8 million in 1952. To this should be added profits from the gold trade, which were estimated at LL 76.2 million in 1951 and LL 48.6 million in 1952. 1/

In recent years the gold trade has risen to a high level, owing to various measures taken to stimulate it, for example the permission granted in February 1949 to keep gold in transit within the country for up to two months and to export it to a country other than that to which it was originally destined. In the first three quarters of 1950, 44 tons of gold passed in transit; in 1951, 89 tons; in 1952, 67 tons; in 1953, 73 tons; and during the first half of 1954, 30 tons. The main supplying countries in 1953 were the Netherlands, the United Kingdom, France and the United States. The gold is exported mainly to the Persian Gulf area whence part of it is re-exported to the Far East. In 1951, when Lebanon's gold trade was at its peak, it was estimated that 30 per cent of world gold traffic passed through the country. 2/

Owing to the great freedom allowed in foreign exchange transactions and the improvement of its financial facilities (see below), Beirut has become one of the leading free exchange markets. It has been very roughly estimated that, in addition to balance of payments transactions, which amount to about LL 1,000 million, an equal volume of exchange transactions is undertaken on behalf of foreigners. Income from this source has been roughly estimated at LL 11 million in 1951 and LL 12 million in 1952. 3/

Tourism, one of Lebanon's traditional income-producing activities, has been considerably developed in recent years. In 1952 capital invested in hotels (exclusive of restaurants, night clubs and cafés) was estimated at LL 145 million; in that year there were 585 hotels, with 14,350 beds. 4/ The number of tourists entering Lebanon has risen rapidly, from 60,000 in 1949 to 67,000 in 1950, 127,000 in 1951, 216,000 in 1952 and 285,000 in 1953; 5/ in 1954 there was a further rise. Of these totals, 24,000 in 1951, 21,000 in 1952 and 19,000 in 1953 were summer visitors, mainly from Arab countries, spending a relatively long period in Lebanon, while the balance were visitors from Arab countries, Europe or the United States, making a short stay. Local expenditures by summer

---

1/ Fei and Klat, op. cit., page 43. The estimates of the profits from the gold trade are probably too high.

2/ Le Commerce du Levant, 9 February 1952.

3/ Fei and Klat, loc. cit.

4/ Of these totals, 253 hotels with 4,960 beds were in Beirut and 253 hotels with 8,850 beds were in the mountain resorts. (Michel Touma, "Al hurla al khamisa", in Muhadarat al nudwa, Beirut, 1953).

5/ Le Commerce du Levant, 3 July 1954.

67: United Nations S-5 (1945-1954) 1953 ME Middle East
LEBANON ME1

457

tourists have been estimated at LL 12.2 million in 1951 and LL 10.8 million in 1952, 1/ those of other tourists at LL 17.8 million and LL 30.2 million, respectively, and those of visitors in transit (of whom about one-tenth, or 10,000 persons, spend more than three days in Lebanon) at LL 1.6 million and LL 2.1 million, respectively. To these totals should be added expenditure by foreign students in Lebanese schools and foreign patients in Lebanese hospitals, estimated at LL 5.3 million in 1951 and LL 6.0 million in 1952. 2/

Income from petroleum companies has also increased with the greater flow of oil. In 1952 direct payments by the Iraq Petroleum Company and the Trans-Arabian Pipeline Company to the Lebanese Government totalled 5.5 million. 3/ In addition, local expenditures by the latter company in 1952 totalled LL 17.6 million, while those of the former may have been around LL 10 million. 4/ In 1952 an agreement was reached, under the terms of which payments by the Iraq Petroleum Company would have risen to about LL 3.7 million and those by the Trans-Arabian Pipeline Company to about LL 4.5 million. 5/ This agreement was not, however, ratified by the Lebanese Parliament, and negotiations are still in progress.

Expenditures by the United Nations Relief and Works Agency for Palestine Refugees have played an important part in the balance of payments of Lebanon since 1950. Total disbursements, including salaries, local purchases of goods for consumption in Lebanon or in other countries containing refugees and estimated profits on goods purchased by the agency in transit to such countries, amounted to about LL 68 million in 1951 and LL 40 million in 1952. 6/

Donations have, for many years, made a significant contribution to Lebanon's balance of payments. It is estimated that there are about one million persons of Lebanese descent living abroad, and many of the more recent emigrants send back remittances or repatriate capital. Rough estimates indicate that the amount entering Lebanon under both headings was about LL 58 million in 1951 and LL 72 million in 1952. Another channel for donations is foreign cultural or charitable institutions operating in Lebanon, which contributed LL 10.2 million in 1951 and LL 13.5 million in 1952. 7/ Financial assistance from the United States, is discussed below.

1/ In order to promote tourism, the Government from 1949 to 1953 reimbursed from 30 to 100 per cent of the return passage of summer visitors from Arab countries; the amounts spent, LL 1.9 million in 1951 and LL 1.5 million in 1952, should be deducted from the above figures.

2/ Fei and Klat, op. cit., pages 22 to 28.

3/ Ministry of Finance, closed accounts for 1952.

4/ Fei and Klat, op. cit., page 44.

5/ In addition, the Iraq Petroleum Company undertook, within six months, to expand the Tripoli refinery by 25 per cent, and the Trans-Arabian Pipeline Company undertook to build a refinery within five years.

6/ Fei and Klat, op. cit., page 40.

7/ Ibid., pages 46 to 50.

457 Until recently, it is probable that the profits remitted abroad by foreign companies operating in Lebanon outweighed income accruing from Lebanese foreign investments and businesses operating outside the country. During and after the Second World War, however, both the latter increased substantially, and Lebanon is now a net creditor on investment account. Transfers of profits out of Lebanon were estimated at LL 11.8 million in 1951 and LL 9.2 million in 1952, while incomes accruing from foreign securities and balances, land held abroad and businesses operating outside Lebanon, have been put at approximately LL 15.6 million and LL 16.2 million, respectively. 1/ Little information is available regarding capital movements. It is known that in 1949, owing to unsettled political conditions, an appreciable amount of Syrian capital entered Lebanon and that a certain amount was brought in by Palestinian Arab refugees; during the past few years, a considerable amount of capital from Kuwait and Saudi Arabia has also been invested in real estate in Lebanon, or been deposited in Lebanese banks. In 1952, there was an influx of capital from Egypt, which partly accounts for the large figure shown in table 47. In September 1951, Lebanon repurchased $856,000 worth of its currency from the International Monetary Fund. There has been some Lebanese investment in Syria.

Monetary control and public finance

453 652 The increase in production, and still more in commercial and financial activity, noted above was accompanied by a development of the banking system. The number of banks operating in Beirut rose from seven in 1945 to twenty-one in 1954; the proportion of Lebanese banks increased more than correspondingly, but they still play a minor role in the financial structure. 2/ There has been a large increase in bank deposits, from LL 27.5 million in 1939 to LL 227.1 million in 1945 and, after a decline to LL 180.6 million in 1949, LL 392.2 million in 1954; this has led to a marked reduction in interest rates. 3/ A significant proportion of the increase in deposits represents foreign capital which entered Lebanon either for greater security or, more commonly, for short-term investment in commercial and financial transactions, including the transit and gold trades; moreover, in recent years, several foreign firms have opened branches in Lebanon or moved to it their main agencies for the Middle East.

1/ Ibid., pages 35 to 36.

2/ Foreign banks which have recently opened branches in Lebanon include, in addition to the French, Egyptian and Palestinian establishments operating in 1945, Belgian, British, Iraqi, Italian, Netherlands and Saudi Arabian banks (Le Commerce du Levant, 7 July 1954). In April 1954, a law was passed reorganizing the Beirut financial market. This required dealers in gold, stocks or foreign exchange to register as members of the Beirut Exchange and to carry out all transactions within the Exchange, under rules to be drawn up by an administrative committee chosen by them (Le Commerce du Levant, 22 May 1954).

3/ The market discount rate fell from 8.5 per cent in 1945 to 6.9 in 1949, 6.15 in 1953 and 5.30 at the end of September 1954 (International Monetary Fund, International Financial Statistics).

435
437
452

The post-war trend of prices was downward. Between 1945 and 1950 prices fell rapidly from the high level they had reached at the end of the war. The outbreak of hostilities in Korea temporarily reversed this trend, but, owing to tighter credit and renewal of restrictions and duties on imports of which, by the summer of 1951 the downward movement was renewed until 1953, when the index of wholesale prices levelled off. The main factor bringing down prices seems to have been the large deficit in the balance of trade which, during the first half of the period under review, was probably not covered by invisibles. 1/ Another factor was the budget surpluses, which from 1945 to 1950 [illegible] £L 107 million, together with Government purchases of gold in the local market, which were intended both to increase the cover of the note issue and to counter the deflationary trend, checked the downward movement. Speculation and hoarding of goods, which had accentuated the rise in prices in 1950 and 1951, probably acted in the opposite direction in 1952 and 1953. In 1953, there was a trade recession and an increase in bankruptcies, this was quickly overcome by an easier credit policy combined with an increase in international transactions.

457

Currency and foreign exchange

During the Second World War, Lebanon's currency and foreign exchange transactions were regulated by various measures taken by the Monetary Authorities, as a result of which over 95 per cent of cover of the notes issued by the Banque de Syrie et du Liban and of the deposits held by it came to consist of franc bills and bonds. These franc holdings in 1944 were guaranteed against any depreciation of the franc in terms of sterling. In the post-war period, the inability of France to supply more than a small fraction of the non-franc foreign exchange requirements of Lebanon and Syria, together with its repudiation of its guarantee of the sterling value of their franc balances, 2/ led to negotiations which resulted in the Franco-Lebanese agreement of 1948. This provided for the maintenance, for ten years, of the guarantee by the French Government of the sterling value of the franc holdings of the Banque de Syrie et du Liban and for the blocking of these holdings until 1953. The balances of Lebanon's franc assets was either paid in European currencies or made available for purchases in France.

1/ In 1946, the deficit on current account of Lebanon and Syria was estimated by the Banque de Syrie et du Liban at £L 102 million and it seems probable that there was also a sizable deficit in 1945. During the years 1941 to 1949, Lebanon's exchange reserves declined sharply: thus, in 1940 total gold and foreign exchange reserves, both public and private, fell by £L 26 million.

2/ Said Himadeh, "Essai analyse et critique du système monétaire du Liban", Al Abhath, March 1948 (Beirut). The French Government did, however, pay to Lebanon and Syria the difference resulting from the depreciation of the franc in December 1945.

437

In May 1948, a law was passed providing that half the value of the sale proceeds of gold and foreign exchange and the other half of treasury bills and commercial paper. Purchases of gold by the Government raised its proportion from 0 per cent of the sale items cover in June 1947 to 25 per cent at the end of December 1948, 45 per cent in December 1951, 48 per cent in December 1952 and 50 per cent in December 1953.

Lebanon first relaxed and eventually abolished the foreign exchange controls which had been established during the war. The obligation to surrender invisibles was gradually modified, and in May 1947 exporters were authorized to use half the proceeds of exports to pay for authorized imports. Most of these proceeds were, in fact, sold on the free market. In November 1948, the free market was officially recognized. All recipients of foreign exchange were obliged to surrender to the Government 10 per cent at the official rate of exchange and were permitted to sell the balance on the free market. Importers companies (principally the oil companies) were required to purchase 50 per cent of their local currency needs at official rates, the balance being purchasable on the free market. Thus, there were 11 effect four exchange rates: the official, of 11.2.20 to the United States dollar; the free rate, which varied between 12.3 and 12.4 to the dollar; and two intermediate mixed rates, representing those in part received by exporters or gold by concessionary companies. Payments abroad for invisibles, as well as capital transfers abroad, were authorized, but the necessary foreign exchange had to be provided by the remitter from balances held abroad or from purchases on the free market. 1/

In September 1949, exporters were permitted to retain all their foreign exchange receipts, and in June 1950 summer tourists spending not more than a specified sum were relieved of the obligation to surrender 10 per cent of their transfers of foreign exchange to Lebanon. In January 1952, the Government abolished the requirement that, when exchange receipts from invisibles were sold, 10 per cent should be surrendered to it at the official rate and authorized travellers to take out or bring into the country unlimited amounts of Lebanese or foreign bank-notes. On 17 May 1952, concessionary companies were authorized to obtain all their local currency requirements by purchases on the free market. 2/ Since that date, Lebanon's foreign exchange market has been free from all restrictions. The official rate is used only for Government transactions, and all private business is effected at the free rate.

In the main, the Government has not attempted to influence the free market rate for foreign exchange, but in October 1949 an Exchange Stabilization Fund was established. In terms of dollars, the Lebanese pound fell from an average of 5.05 in 1948 to 5.47 in 1949 and 5.55 in 1951, but an improvement in the balance of payments raised the value to an average of 5.48 in 1952 and

---

1/ International Monetary Fund, First Annual Report on Exchange Restrictions (Washington, D.C., March 1950), page 106.

2/ International Monetary Fund, Fourth Annual Report on Exchange Restrictions (Washington, D.C., 1953), page 101.

457 3.42 in 1953. In 1954, after having appreciated rapidly, the pound remained stable around 3.20 to the dollar, partly owing to sales of foreign exchange by the Exchange Stabilization Fund, which feared that further appreciation might impair the country's competitive position. It seems clear, however, that no systematic attempt is being made to stabilize the exchange rate in view of the small size of Lebanon's foreign reserves 1/ and the great volume of exchange operations that take place in the Beirut market.

651
652

The war-time rise in incomes and prices led to an increase in both revenue and expenditure, a rate of increase which was, however, below that of the wholesale price index. Revenue rose from LL 6.1 million in 1939 to LL 35.9 million in 1945 and expenditure from LL 7.9 to LL 54.2 million. In every year, there was a surplus, the total for 1939 to 1944, inclusive, being LL 22.8 million. In the post-war period, there was a sharp rise in both revenue and expenditure. Except in 1950, every budget showed a surplus, the total for 1945 to 1952, inclusive, being LL 127.5 million. At the end of 1952, the Reserve Fund stood at LL 62.5 million. 2/ There is no internal or external debt.

Important tax reforms were carried out in the war and post-war periods. A progressive general income tax was introduced in 1944, which was modified in 1949; incomes from commercial and industrial activities are taxed at from 5 to 30 per cent, incomes from non-commercial activities at from 4 to 37 per cent and salaries at from 2 to 10 per cent. In 1952, a tax on agricultural income was introduced, with rates ranging from 2 to 35 per cent; it will take effect in 1955. As table 49 shows, the reforms have appreciably increased the amount raised through direct taxes, but these taxes still play a minor part in government revenue; customs and excise duties account for about one-half of revenue and the addition of other indirect taxes brings the share to nearly two-thirds.

On the expenditure side, the most striking increase in the post-war period was in education, expenditure for which rose from 8.1 per cent of the total in 1946 to 12.6 in the 1954 estimates; this is due to the active part played by the Government in recent years in supplementing the still predominant

---

1/ The gold and foreign exchange reserves held by the Government and the bank of issue fell from $76.1 million at the end of 1948 to $58.5 million at the end of 1950. Thereafter, they rose to $55.2 million at the end of 1953 and a more rapid increase to $ million at the end of October 1954; of the latter $ consisted of gold, $12.4 million of French francs and $5.8 million in foreign exchange. These reserves included the cover of the note issue, which accounted for practically all the gold (International Monetary Fund, International Financial Statistics).

2/ Ministry of Finance, Closed Accounts for 1952 (Beirut).